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NATIONAL REFORM UNION PAMPHLETS.

MILITARISM, IMPERIALISM, AND TAXATION.

A SPEECH DELIVERED IN THE HOUSE OF COMMONS BY THE RIGHT HON.

JOHN MORLEY, M.P.,

ON THURSDAY, MAY 23, 1901.

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MILITARISM, IMPERIALISM, AND TAXATION.

Mr. Speaker,—I am afraid I must ask in no conventional sense for the indulgence of the House whilst I offer one or two observations upon the Bill now under discussion. I will not, at this moment at all events, follow the right hon. gentleman who has just sat down, but I will refer the Chancellor of the Exchequer to him as the awful example of what is going to happen to His Majesty's Government, and, perhaps, to Governments that may follow from this side of the House, if the present course of foreign and colonial policy is pursued. A discussion took place in the earlier proceedings on this Bill on the point of economy, and my right hon. friend the member for Wolverhampton brought a motion before the House, of which the point was that economy in our normal expenditure was the thing to which we ought to direct our attention. I was not able myself to agree in that view, because I felt that this Budget, introduced as it is at this stage of a great and protracted war, will prove to have been a memorable landmark in our fiscal history. This Budget is not the last chapter, but the first; it is not the end, but the beginning; it is the opening of a new system. Economy, no doubt, is what we all desire; but none of us, so long as the present maxims of policy are accepted, will be able to attain it or even to make any real progress towards it. The Tuesday night sort of abstract resolution would always be carried without a dissenting voice. Every one of us would vote for platonic motions for economy; but it is idle to delude ourselves with the idea that such motions have any real significance so long as we pursue and nurse ourselves upon the idea, in Lord Salisbury's words, that it is our duty to take everything and to fight everybody. All depends upon that.

Mr. Chamberlain.—The Prime Minister did not say that, if I understood my right hon. friend to imply that he used these words.

Mr. J. Morley.—I did the Prime Minister great wrong if I said that. On the contrary, the Prime Minister was speaking on the side of which the hon. member for West Monmouthshire and I are humble members. The Prime Minister said that you will get into great scrapes if you follow the present tendency to take everything and fight everybody.

One phrase fell from my right hon. friend the member for Wolverhampton the other night which I a little quarrel with. He said, talking of naval expenditure, that you ought to listen to the experts of the Navy. Perhaps the Chancellor of the Exchequer will agree with me that if you do that, there will be no economy in the Navy. I regard that expression of my right hon. friend as being just as fatal to economy as the extraordinary suggestion thrown out by others on my own side of the House, that the Commander-in-Chief of the Army shall be free to come to Parliament and be able to fight his own Parliamentary chief on matters of Army administration. I am not so old-fashioned as the right hon. member for Thanet, but I am old-fashioned enough to protest altogether in the name of economy and of the constitutional system against any idea of the kind—that either the experts of the Navy or the Commander-in-Chief shall overrule or appeal to Parliament against their Parliamentary chiefs. The hon. member for Exeter two days ago made a most interesting speech on economy, with most of which I entirely agree; but I will venture to tell my hon. friend this, what Mr. Gladstone said to me a thousand times, that there are only two ways of getting economy effected. One is the way pursued by a former member for Montrose, Mr. Hume—a vigilant, tenacious, minute attention to details year after year, Committee after Committee. The other way is that a Chancellor of the Exchequer like Mr. Gladstone in Lord Palmerston's Government, like Lord Randolph Churchill with less success in another Government, like, perhaps, the Chancellor of the Exchequer in the present

Government, can, no doubt, effect economies. All these ideas of Committees examining Estimates are unavailing. I have been in the House a good many years, and I have heard proposals for economy. They all come to nothing. You must either pursue economy in detail year after year, or else instal in power, if you can, a Chancellor of the Exchequer who will insist on having his own way in the matter of expenditure. I do not believe, for my part, that there is going to be any great economy. I do not see in the present temper of the people of this country where the steam, the generative force of economy in this House, is to come from.

I come to the Finance Bill. I have given some votes in favour of the proposals of the Government, but I disclaim altogether the notion that in these votes what I meant to do, or hoped that the House would do—to borrow my right hon. friend's phrase the other night—was to penalise the voters because they have adopted them. I will never deny that the country, as a whole, has adopted the policy of His Majesty's Ministers. It would be childish to talk of penalising any body of men because they hold opinions which we do not happen to hold. The blood has been shed; thousands of women have been made widows, thousands of children have been made fatherless; millions of wealth accumulated by the toil and skill and hopefulness of men have been flung down the abyss, in pursuit of a policy which I must call a policy of stupendous folly. You have sown broadcast with both hands the seeds of enmity between two races. If all that is wrong, as I think with all the strength of the deepest belief it is, we may depend upon it that retribution will follow in a thousand shapes. A twopenny income tax is not the retribution that I mean, nor is a halfpenny on sugar the full Nemesis of this policy. At the same time, though I should be most sorry to advocate any scheme of taxation which would look vindictive, I do rather rejoice at taxation that is instructive. It is rather humiliating at this time of day, in our new century; but I declare I think it is true, that after all, in spite of a free Press, in spite of the pulpit, the tax-gatherer is the real schoolmaster.

I cannot conceive any great Empire existing under much more dangerous conditions than ours is likely to exist in, if a great army of electors is to decide on questions of peace and war—decide on these great issues of policy—without its being brought home to them closely, directly, and, as Mr. Gladstone said in the passage quoted by the Chancellor of the Exchequer, "intelligibly and palpably," what the effects of their acts and decision will be. Then there is another element of danger. We are told by those organs of the Press which worked before the Raid and after the Raid for this war, that the opinion of the colonies must be taken upon the terms of any settlement which is ultimately arrived at. I almost think that my right hon. friend the Colonial Secretary has on one occasion, if not more, used language which pointed in that direction. Well, if you are going to have war and peace—the launching of a war and the settlement of the terms of peace—dependent upon an electorate who are not to be made personally, palpably, and intelligibly responsible, and upon colonists who contribute nothing to the money cost of the war, I think that all will agree with me—all who are willing and capable of looking at these questions largely—that no Empire has ever been in a more dangerous condition than ours.

I will not detain the House with figures. But I want to put in one figure, which I believe to be right, to show where we now stand and what is the point of this Budget. It brings home the matter much more to the minds of the electors than any vague general talk about economy. You borrowed a sum on which, at $2\frac{3}{4}$ per cent.—and that is giving you a little advantage, for on some you pay more—the annual charge will be £3,500,000. Then you put upon yourselves an additional charge of nearly three times that amount for the Army. You maintain that this new charge of £9,500,000 for the Army is a necessary and permanent charge; and this together with the £3,500,000 makes a sum of £13,000,000. What is that? It comes to this, that we have fastened round our necks by reason of this war an annual liability and obligation to pay £13,000,000, which is the equivalent of an extra load upon our shoulders of

470 millions added to the National Debt. The First Lord of the Treasury dissents from that proposition. The figures are there. I quite admit that there is a difference between a charge which Parliament votes and can discontinue when it likes, and a permanent charge like the National Debt. But the gentlemen on the Treasury bench cannot say so, because they say that the charge is necessary and permanent. We have, at all events, got rid in a quiet way of the idea that of this vast burden any part is coming to us from the Transvaal. I remember three or four years ago the Chancellor of the Exchequer gave a great deal of innocent pleasure to his political friends, and I rather think to some of my political friends also, by calling me "the false prophet of the Soudan." I think he has found out by this time that there are other parts of Africa besides the Soudan where they breed false prophets. It is not so long ago since the right hon. gentleman talked of ten millions for this war. Then he says, in order to soothe the House—I do not mean with any deliberate purpose of deluding the country, but to keep his own heart up, and to let the sanguine expectation simmer in the constituencies—"We shall keep the claim alive. "We shall not leave the question out of view. My right hon. friend the Colonial Secretary and I will get whatever is possible." I wonder whether the House observed an answer that the right hon. gentleman was good enough to make to a question I put to him. He said: "We shall get whatever is possible from the new Government which is to be set up in the Transvaal." Then I asked, "Are they to consent to the contribution?" And the right hon. gentleman answered, "No. We shall be interested to hear what they have to say; but of course the Imperial Government must decide." I was sorry to hear that answer. It means, beyond all doubt, that if any attempt is made to get an appreciable sum out of the Transvaal, you will have fresh confusion and conflict in South Africa. Because, when that Government is set up—and it will not be set up very soon—you will have, of course, a combination of Boer and Briton, and they will have a very good

argument to their hand against contributing one shilling to your charge. They will say, "You have declared that this war in South Africa was never waged for a special class, not for gold, not for territory, but for the interest of the Empire as a whole. Why should the people of the Transvaal, then, pay towards the Empire as a whole?" Mr. Speaker, I am perfectly sure that you will not get anything at all, or, if you do get anything, you will get it at a price which certainly will not be worth paying.

But I heard with surprise what was said about the Colonies, and I thought the Chancellor of the Exchequer the other night went at least as far as prudence allowed when he spoke of colonial contributions under another head. We hear about Imperial funds and colonial contributions. Now, have hon. gentlemen considered, when they look at this enormous figure, which I put at a sum equivalent to a figure of £470,000,000 added to the National Debt—have they considered, in view of this stupendous figure, what sum they can reasonably expect to get from the colonies? How are they to go about it? What is the uttermost you can reasonably expect to get from the colonies? Are you sure that the uttermost that we can in reason expect to get from them at the highest estimate would relieve us of, say, one penny in the income-tax? Lord Avebury—once a well-known member of this House, Sir John Lubbock—said, and I thought he put it very concisely and truly, that we use the word "Imperial" in two senses. When the expenditure was incurred, it was the whole of the Empire; but when it was a matter of paying the bill, Imperialism was confined to the British Islands. There (*pointing to the Irish benches*) is one of the British Islands, and the one that has suffered most from our misrule; and that forlorn island is to be forced to pay its share of this enormous charge, while the colonies, far better off than our own poor people, are able to feast, to their heart's content, on old-age pensions and all sorts of other boons. The Secretary to the Admiralty the other day said, with the Imperial instinct boiling over in him, "Our own people first, our own people second,

our own people third." I will say the same if you like; but I insist on including the forty millions who happen to live in these two islands, as well as the dozen or more millions who live out of them.

Now I come to the observations that fell from the Chancellor of the Exchequer on Monday night about the war. They struck me very much. He said, "If the issue was whether Briton or Boer should be supreme in South Africa, then the expenditure of £140,000,000 is a trifle in comparison." May I say in passing that that is rather a new reading of the orthodox formula? I thought it was to be "equal rights." It appears that it is not that—it is not to be equal rights—it is to be the mastery of one race over the other. Yes, mastery of one race over the other, and in the name of mastery you have supressed two little states which had as good a title (*loud cries of "No" from the Ministerial benches and Opposition cheers*)—as good a title (*cries of "No"*)—I hope hon. members will listen to me—as good a title, if public law has any validity at all, to govern themselves as you have. I think it was a right hon. friend of mine who said—some of my friends have said some very embarrassing things—that the Government of the South African Republic was an imposture. Be it so! But at all events it was a Government which the people to whom the country belonged cherished and prized with passion so intense, that they were ready to give up life and home and all that they held dearest in the world rather than see it stolen from them. I do not want to take up the time of the House in kindling again the fires of the old controversy. I am quite ready for the controversy whenever you like, but there will be abundant opportunities to argue it out here and elsewhere. But I must traverse the way in which the Chancellor of the Exchequer put the issue in the sentence I have already quoted. The question as the Chancellor of the Exchequer put it was not the question. The question of Boer and Briton was solving itself. The two races were intermarrying; their English education was slowly, but effectually, working out the legitimate influence of England—call it supremacy or what you like. Mr.

Kruger, the representative and the rallying point of old and reactionary ideas, was himself an old man. A reform party was opposed to him that had all the future before it. Time and patience were bringing about all that any English statesman either on that side of the House or on this—and I do not except my right hon. friend the present Colonial Secretary—ever professed to desire. I do not deny for a moment the difficulties of the problem of adjusting the relations between two very dfferent races, between two sets of men living under very different social conditions. I do not deny, I never have denied, the enormous difficulties of solving that problem. But I contend that taking the sword to cut the knot of the entanglement which statesmanlike patience would have untied was a fatal and an irretrievable blunder. I perceive that gentlemen opposite think all this picture of mine is a dream. But who tells you so? Those who tell you so are the very same men who told you, even at the eleventh hour, that there would be no war; the same men who, when the war broke out, said it would be over in two months; the same men who said the war would cost £10,000,000, and it has cost £150,000,000; the same men who had said the Boers had lost their old art and spirit for fighting, and they have shown themselves as brave as our own brave men. Then, when I am told that my view of all this policy is a dream, I say were not your advisers, your inspirers, dreaming when they launched you on an undertaking that has been one long history of surprise upon surprise? The Chancellor of the Exchequer's expenditure of £150,000,000 has brought not what British statesmen wanted, but precisely what they did not want. It has brought material havoc and ruin unspeakable; unquenched and for long unquenchable race animosities; a task of political reconstruction of incomparable difficulty; and all the other consequences which I need not dwell upon of this war, which I think a hateful war; a war insensate and infatuated; a war of uncompensated mischief and irreparable wrong.

I will now go on, if the House will allow me, to make a remark or two on the finance. I confess I do not quite under-

stand the Chancellor of the Exchequer's position. I am not going to indulge in any harassing gibes about an economical Chancellor of the Exchequer remaining in an extravagant Cabinet. Others beside him have found out that it is much easier to get into a Cabinet than to get out of it. The Chancellor of the Exchequer said that this growth of expenditure carried with it the gravest danger to the financial system to which this country owes its prosperity.

The Chancellor of the Exchequer.—I did not say that. I hope not. What I did say was that the rate of growth that had gone on during the last few years could not continue.

Mr. Morley.—The words were : "This growth of expenditure carries with it the gravest danger to the financial system to which this country owes its prosperity."

The Chancellor of the Exchequer.—I am quite sure of what I said.

Mr. Morley.—Well, so be it. It comes to this—that the right hon. gentleman is a party, an accessory, a confederate, an accomplice in what he admits to be putting you on the road to a position of grave national danger. How is the Chancellor of the Exchequer going to meet that danger? I confess I am disappointed, because I cannot see where it is that he wants us to go. He used a phrase he is never weary of using, "You must widen the basis of taxation." After considering the Chancellor of the Exchequer's position as well as I possibly could, I am afraid that is a mere phrase. Taking indirect taxation, how are you going to widen the basis there? He has himself said that in wine, beer, spirits, and tobacco he has got to the full length of his tether, and that the taxable capacity of those who contribute to these great reservoirs of revenue is now at an end.

Then I come to what I confess interests me very much—I mean direct taxation. The Chancellor of the Exchequer does not think it wise to lower the exemption rate of the income-tax. He does not think it wise, even in a moment of financial crisis

like this, to suspend or alter the scale of abatement. This immense impost is to go on being levied upon the same scale as at present without any differentiation as far as distribution goes. One or two hon. gentlemen opposite really talked of taxation as some persons have talked of war, as a splendid thing in itself, that it braces a man. I read in a print of great authority, that from a national point of view the larger part of the naval and military expenditure is only a matter of form. We are assured for our comfort that most of the money passes out of one pocket into another. It looks ugly, but we may make our minds easy, for it is only a matter of account, a mere trick of book-keeping. It must be some view of that kind which explains the attitude of this House upon the income-tax. The doctrine that naval and military expenditure adds to the wealth of the country is, at this time of day, one of the most astonishing doctrines that ever was advanced. And they say: "Oh! much of this huge figure is spent in England." To say that that is any alleviation is just as absurd as this case would be, which I rather think I remember from one of the old economic books:—A tax-gatherer goes into a man's shop and he takes out of the till, as tax-gatherer, £100; and presently there comes in another Government agent, who, with that £100 buys £100 worth of the shopkeeper's goods. And then he says to the shopkeeper: "You are none the worse. You had £100. You have it now. What more can you want?" That ridiculous and idiotic fallacy is a fallacy that is now current among people who are really supposed to know the secrets of City and other finance.

Let us look at the income-tax for a moment. Ever since 1895 the income-tax has stood at 8d.—and at 8d., mark you, in a time of peace. Within two years that 8d. has been raised 75 per cent., and, as I understand from the Chancellor of the Exchequer—I think his language goes as far as this—we are to look forward to at least a shilling income-tax, possibly a 14d. income-tax, possibly a 16d. income-tax, but at least a shilling income-tax for the rest of our natural lives.

The Chancellor of the Exchequer dissented.

Mr. Morley.—The Chancellor of the Exchequer says he never said anything of the kind.* I know that it is a very inconvenient inference, but I think that he did say something very much of that kind. Perhaps it would not be fair to ask him whether he really thinks that 14d. is going to come down to 8d. or to 6d. He knows very well that he anticipates no such fall in his time. The noble lord the Under-Secretary for Foreign Affairs, and, I think, his noble relative who sits below the gangway, said, "Oh, England could bear ten times that amount." So, if the present distinguished Administration remains, we are in for a 10s. income-tax—a delightful prospect indeed! We all of us know that the most difficult of all fiscal problems is this—How are you to impose an income tax fairly upon incomes that are permanent on the one hand and incomes that are precarious and temporary on the other? How can a man who, in the familiar phrase, neither toils nor spins, be treated in the same way as the man who earns his income by the skill of his hand and the sweat of his brow? I venture to say this, that at the pace at which we are now going in reference to the income-tax, a claim—yes, an irresistible claim—will be set up and maintained for a readjustment of the income-tax and a reconstruction of it. Yes; but if anybody thinks that that will be easily done compatibly with maxims of public equity, let him read Mr. Gladstone's speech in 1853, when he finally and decisively set up the income-tax on the principles on which it has been worked ever since. I often wonder if Mr. Gladstone foresaw that by setting the income-tax upon its legs, he was not only providing the means, but he was providing the direct incentive to that enormous expenditure which it was one of the great

* "The question we have to ask ourselves is, How has this increased expenditure been provided? It has been provided simply by the additional taxation imposed last year. What was that additional taxation imposed for? It was not for ordinary expenditure, but for war services. It was proposed and it was intended by the House to be additional taxation for war expenditure, and we all hoped and expected that at the end of the war it could be remitted. But since then our ordinary expenditure, apart from the war, has enormously increased; and looking at the way in which the increase is going on, supposing the war came to an end three or four months hence—[Opposition cries of "Oh, oh!"]—well, suppose it came to an end sooner than hon. members opposite expect, as it possibly may, *our ordinary expenditure would not permit us to remit the additional taxation which was imposed for war purposes last year, and which, let me remind the Committee, included an income-tax of no less than one shilling in the pound.*"—*Sir M. H. Beach.*

main objects of his life to resist and to cut down. It is a great danger to this country that you should have, financially, an irresponsible war policy; but I do think that the other danger is just as great, that you have a resource by which the Chancellor of the Exchequer of to-day, by touching, as it were, an electric button at his table, or drawing a lever, can at once fill his chest with whatever funds he desires. The income-tax payers are not organised; they are not like the coal gentlemen. I think that is in itself a great danger; and I am sure that if this policy, which is at the root of all wild expenditure, continues, you will have serious trouble with the income-tax.

One conceivable device for solving what the Chancellor of the Exchequer has called the problem of indirect taxation would be to add an equivalent percentage all round on direct and indirect taxation alike. It was tried under very unfavourable circumstances by Sir Francis Baring, who, I think, put a 5 per cent. increase on the Customs and 10 per cent. on assessed taxes. But it failed, and produced nothing like what was expected. There was, however, this difference between those days and these—that there were then 1,750 articles in the Customs tariff, and now there are six or eight. The difficulties of administration which stood in the way under such circumstances as those might be less formidable under the conditions of to-day. But until you have some method, automatic or otherwise, for adjusting the relations between direct and indirect taxation, there will be trouble. The Chancellor of the Exchequer thinks he has gone a long way towards the solution of the problem of indirect taxation by imposing an export duty on coal and by imposing a sugar tax. But I wish he had told us how he poses a problem upon which he so constantly insists. I agree with him as to the urgency of it. Let me try to state it, as it presents itself to my mind:—"Can you go on, with the necessity of an increasing revenue, taking a steadily decreasing share out of the Customs duties and Excise, and taking a steadily increasing share out of the income-tax? Is the financial system sound, is a country like ours safe, when

the ultimate foundation is the contribution of an extremely limited class of population further limited by all sorts of exemptions and abatements ? " If I were the most flamboyant of Imperialists, I should look to such a state of things with apprehension and alarm.

It is very late, but I wish the House would let me read a little table of the way in which indirect and direct taxation have moved within the last 60 years. The first year, 1841-42, indirect taxation was 73 per cent., direct 27 per cent. In 1861-62 indirect taxation was 62 per cent., direct taxation 37 per cent. Twenty years later indirect taxation was 59 per cent., direct taxation 40 per cent. This year direct taxation is 50 per cent., indirect taxation 49 ; for the first time, said the Chancellor, more direct taxation than indirect. A most pregnant statement ! There has been a steady systematic growth of direct taxation and a similar fall of indirect taxation. The broad result is that when Sir Robert Peel began his great operations in 1842, indirect taxation represented nearly three-fourths of the whole, while now it is rather less than half. It is a mistake to divorce taxing questions from social and political questions. This reversal of the proportions between direct and indirect taxation has kept step with the redistribution of political power. It is no accident that as the franchise has fallen lower, the ratio of direct taxation has risen higher. It is no accident that as the area of political power has widened, the area of indirect taxation has narrowed. In 1874, when, as everybody knows, Mr. Gladstone went to the country and offered to abolish the income-tax, it was the second time the newly-enfranchised voters had given a deliberate opinion, and the question immediately concerned themselves. Their answer was—it was an instinct, a curious instinct; great bodies of men do not work out these matters—they said, " No, we will keep it." For the rest of his days Mr. Gladstone felt that the income-tax had been made a permanent element in the sources of national revenue. It is idle for a militant Imperialist to say he is an ardent and unshakable free-trader. The right hon. gentleman the member for Thanet is not well advised in

his doctrines, but he is nearer than he ever was in his life before to having a considerable following. If you are going to be militant Imperialist, free trade goes. That is my firm belief. It begins to go with the Budget that the Chancellor of the Exchequer has introduced, and which I am not resisting. I do not mean to resist it, because he has been launched on a policy which it is necessary to provide for, and it is not my business to say how he could better have provided for it than he has done.

Thanking the House for its great patience, I will wind up with what is no more than a commonplace. I will repeat here what I have said to the electors who sent me here. The master-key of the prosperity and strength of the realm is peace. Peace means low taxes, reduced debt, advancement in the comfort and well-being of the people of these islands, and what I do not and will not disregard, it means the good will of the world. If our aim is the extension of territorial dominion, the transformation of our ancient realm, which has been in the forefront of civilisation for generation after generation, into a boastful military Empire, to be supported, I suppose, by conscription with a Customs union thrown in, which will lose us our best markets for the sake of the worst, then I say that financial ruin—of which the Chancellor of the Exchequer warned us—undoubtedly awaits us. Let me quote once more the famous sentence from a great divine, well-worn but never more apt than now: "Things are what they are, and their consequences will be what they will be. Why then do we seek to deceive ourselves?" Wear out your coal, pile up your debt, multiply and magnify your responsibilities in every part of the globe, starve social reforms among your people at home. Then indeed you will have a little England, a broken and dilapidated heritage to hand on to your children and your children's children.